

The Minimum Wage is a Racist Law

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By [Raymond Richman and Howard Richman](#)

In his 2014 [State of the Union Address](#), President Obama praised the states that had recently raised their minimum wages, and he called upon Congress to raise the federal minimum wage from \$7.25 per hour to \$10.10. He said:

Tom Harkin and George Miller have a bill to fix that by lifting the minimum wage to \$10.10. This will help families. It will give businesses customers with more money to spend. It doesn't involve any new bureaucratic program. So join the rest of the country. Say yes. Give America a raise.

He didn't mention that young unskilled workers would be harmed. There is little doubt that the minimum wage decreases the demand for unskilled workers. The wage that potential employers are willing to pay depends on what the employer believes that hiring an additional worker would be worth to him. No employer will hire a worker unless he believes that worker will contribute as much value as the worker costs.

Who is hurt the most by a minimum wage? Teenagers having no work experience and unskilled 20-or-over without work experience. And as the data shows, black teenagers and the black unskilled are affected the most, an unintended consequence.

Compare the unemployment rates of teenagers and the rest of those in the civilian labor force. The unemployment rate during the first quarter of 2014 was 6.5 percent for those 20 years of age and older but 20.9 percent for those aged 16 to 19. White teenagers had an unemployment rate of 20.9 percent, black teenagers 34.5 percent, Latin teenagers 24.4 percent and Asian 15.4 percent. Black male teenagers have the scandalous astronomical level of 42 percent.

It is clear that the minimum wage law is racist in its effect. Nobel Prize winning economist Milton Friedman and his wife Rose were among the first to point this out in their 1979 book *Free to Choose*. After reviewing the history of the minimum wage law in the United States, they wrote:

After minimum wage rates were raised sharply, the unemployment rate shot up for both white and black teenagers. Even more significantly, an unemployment gap opened between the rates for white and black teenagers.... We regard the minimum wage rate as one of the most, if not the most, antiblack laws on the statute books. The government first provides schools in which many young people, disproportionately black, are educated so poorly that they do not have the skills that would enable them to get good wages. It then penalizes them a second time by preventing them from offering to work for low wages as a means of inducing employers to give them on-the-job training. All in the name of helping the poor. (pp. 227-228)

Lowering the minimum hourly wage to \$5 would provide an annual wage of more than \$10,000. It is not unreasonable to expect up to 50% of the unemployed teenagers would find employment. Since some 5,785,000 teenagers were unemployed during the 1st quarter of 2014, 2,891,000 would find employment and their annual earnings would amount to \$28.9 billion dollars. If so, the national minimum wage of over \$7.25 per hour has cost teen-agers nearly \$29 billion.

Once employed and having a good work experience, they would find employers bidding for them and bidding up their wages. The average wage in the leisure and hospitality sector (the lowest paid group reported by the U.S. Bureau of Labor Statistics) was \$13.73 per hour in May 2014. In Retail Trade it was \$16.96. While the average worker in the private sector, including the highly skilled, received \$24.38 per hour.

Getting a first job is very important to an individual's skill development. If one has to pay an unskilled worker an amount of money that exceeds the expected skill he is expected to acquire by on-the-job training in a reasonable time on the job, employers will be very reluctant to experiment and to employ additional workers. Whereas if wages are lower, employers will be more willing to take a chance on hiring.

The high wages of skilled labor are attributable to the fact that skilled labor produces a high value per hour. How does a skilled laborer acquire his or her skill? Some do by education and training, some by experience through skills obtained by working on-the-job. The unskilled acquire skills by on-the-job by training, observation and experience. Employers train unskilled workers to do a task that has value for them. The unskilled worker acquires a skill.

Those who excel in the task are likely to be rewarded by being trained to do a job that creates even more value and is rewarded by increased pay. That's how workers gain skills and climb the economic ladder. The process has produced our high living standard.

The minimum wage is simply an instance of a price control, a mistake that foolish governments sometimes make. A maximum price tends to produce a shortage, while a minimum price tends to produce a surplus. The minimum wage creates a surplus of unemployed labor because it limits the demand for labor.

The minimum wage is producing 34.5% unemployment rates for black teenagers. Raising the minimum wage, as President Obama has proposed, would make it even harder for black teenagers to get their first job. Instead, the minimum wage should be lowered or eliminated.

At the very least, the government should exempt those seeking their first job from the minimum wage so that they can, at least once, get their feet on the bottom rung of the ladder to success.

The Richmans co-authored the 2014 book *Balanced Trade: Ending the Unbearable Costs of America's Trade Deficits*, published by Lexington Books.

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